

MT. TAYLOR MINE

RIO GRANDE RESOURCES PERMIT APPLICATION FOR

STANDBY STATUS

MARCH 25, 1999

Submitted by J. C. Lister
Mine Manager

**MT. TAYLOR MINE
RIO GRANDE RESOURCES PERMIT APPLICATION FOR STANDBY STATUS**

Rio Grande Resources Corporation (RGR) is hereby making application for a revision to the Mining Permit No. C1002RE related to the Mt. Taylor Mine, according to the conditions of Permit Revision 98-1 dated December 18, 1998 and for compliance of Section 7 and Subsection 505 of the New Mexico Mining Act Rules. All of the Mine Units listed in the 98-1 Revision will be on standby for the next five years except for the Plant Site and Water Treatment Area units.

The Mt. Taylor Mine was put on inactive status by the prior owners, Chevron Resources Corporation, in January 1990 due to low uranium market prices. Rio Grande Resources Corporation acquired the Mine property in 1991, and waited for the market conditions to be favorable for startup. This improvement now is not expected within the next five years, but in the event dramatic changes should occur in the market, RGR stands ready to resume production. In the mean time, RGR will be involved in a Water Supply Project (WSP) to allow portions of the mine facilities to be operational and employ a limited number of people.

On December 18, 1998 the Mining and Minerals Division approved the closeout plan and financial security for the mine as an existing mining operation. Section 701.G of the Rules states that Standby Status can now be granted. Standby Status more accurately depicts the continued operational status of the mine.

GENERAL INFORMATION

The Mt. Taylor Mine is located near San Mateo, New Mexico, in the East ½ of Section 24, Township 13 N, Range 8 W. San Mateo is 22 miles Northeast of Milan, New Mexico on State Highway 605. The Mine is located approximately one mile Northeast of the small village.

The employment level at the mine site has been only one person since January 1993, with occasional contractors on site when required.

The WSP is expected to start-up during the next five years, but this cannot be assured as contracts are still being finalized with the City of Gallup, and Acoma and Laguna Indian Reservations. Funding of the necessary diversion systems by the State and Federal Governments is being supported by the Federal Bureau of Reclamation.

SEVEN MINE SITE UNITS WILL BE ADDRESSED

1.0 PLANT SITE - 93 ACRES

The plant site unit includes most of the surface mine facilities. There has been no mine production on the premises since January 1990. Work activity on the mine site since January

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1990 includes only maintenance of buildings, roads, drainage ditches, containment structures, and security requirements.

- 1.1 *Identify the projected term of standby status* - The plant site may be on standby for four to five years or possibly more. Work on the WSP could start as early as three years.
- 1.2 *Describe the measures to be taken to reduce, to the extent practicable, the formation of acid and other toxic drainage and to prevent releases that cause federal or state environmental standards to be exceeded* - There will be no acid and/or other toxic drainage off the plant site because none of these chemicals are produced even when the mine is operating. Releases of oil and gasoline are prevented by curbed concrete berms or constructed metal tanks beneath the storage tanks. Used oil is collected and transported to Milan, New Mexico, to be recycled. Storm water, containing low levels of radioactive contaminants, is managed with (1) run-off diversion ditches and (2) an underground network of 24-inch piping which spills into a lagoon for evaporation.
- 1.3 *Describe how applicable federal and state environmental standards and regulations will be met during the duration of standby status and provide to the Director a written determination from the Secretary of the Environment Department stating that the permittee has demonstrated that the operation will be expected to achieve compliance with all applicable air, water quality and other environmental standards of the Environment Department during standby status if carried out as described* - Applicable Federal and State environmental standards and regulations will be met during the duration of standby status by complying with State Permit DP-61, Federal Permits NPDES NM 0028100 and NPDES Storm water Permit NMR05A300. A letter will be written to ask NMED for continued support of RGR's environmental effort during the standby period, based on years of permit compliance.
- 1.4 *Describe how waste and storage units, leach piles, impoundments and pits will be stabilized during the duration of standby status* - The paragraph 701.B.4 does not apply to the plant site. There are no waste and storage units, leach piles, impoundments or pits in the plant site area. There are two vertical shafts, which are now completely enclosed to prevent people or wild life from entering into the deep excavations, in the unlikely event that the security system is breached.
- 1.5 *Describe how the applicable requirements of the Act and this Part will be met during the term of the standby status for the operations proposed for standby status* - RGR will comply with the conditions and provisions of the Mine Permit Application, Mt. Taylor Closeout Plan, provisions and conditions of the Permit Revision 98-1 and will remain in compliance with Subpart 7 of the New Mexico Mining Rules.
- 1.6 *Provide an analysis of the anticipated future economic viability of the units proposed for standby status* - RGR has the largest uranium deposit in the United States, which is well over

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100,000,000 pounds of U308 in the Mt. Taylor Mine orebody. The current market price now does not permit a viable mining operation, primarily because of the availability of uranium from weapons decommissioning in the world and U. S. markets. However, this resource eventually will be depleted. Additionally, future demand for clean nuclear power generating plants will increase as low-cost coal reserves are depleted and demand for electric power increases. There is no doubt that the high-grade ore reserves at the Mt. Taylor Mine will be produced in the relative near future.

2.0 OLD WASTE ROCK PILE - 15.2 ACRES

- 2.1 The old waste pile will be on standby for at least five years. However, if the mine should go into production earlier because of uranium price correction, the old waste pile will be put into use.
- 2.2 There is no acid generation or toxic waste accumulation in the old waste pile as shown by recent analysis of waste rock samples.
- 2.3 The waste pile has been unused for approximately 10 years. There is no indication that the rock pile is any danger to humans or wildlife. Precipitation run-off is captured and collected in a containment basin for evaporation where solids remain confined. Wind-blown particules are minimal due to the clay texture make-up of the waste rock. There are no other regulations on waste rock piles that are of concern to State agencies.
- 2.4 The old waste pile is stabilized for the short term due to the nature of the rock sediments. It has enough grey-green shale to prevent failure even on a 45% or greater slope. Minor erosion is occurring, but is collected in a containment basin along with the run-off.
- 2.5 RGR refers you to the Plant Site Unit in paragraph 1.5.
- 2.6 RGR refers you to the Plant Site Unit in paragraph 1.6.

3.0 NEW WASTE ROCK PILE AREA - 21.7 ACRES

- 3.1 The new waste rock pile area has not been disturbed except for test pits to determine shale quality. Therefore, the area will be on standby until needed for waste rock disposal.
- 3.2 Area not disturbed. No acid generation or toxic waste accumulation.
- 3.3 Area not disturbed. No description necessary.
- 3.4 Area not disturbed. No waste rock, storage units, leach piles, impoundments or pits are present (sample pits have been reclaimed).

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- 3.5 Area not disturbed. No description necessary.
- 3.6 RGR refers you to the Plant Site Unit in paragraph 1.6.

4.0 WATER TREATMENT AREA - 28 ACRES

- 4.1 The water treatment area will be on standby until the WSP is agreed upon by all parties. This is expected to go on line possibly in four years. Prior to pumping of water, construction will be necessary to prepare the lagoons and treatment facilities to meet drinking water standards. This activity will likely be schedule sometime during the five-year period, unless start-up is delayed.
- 4.2 There is no acidic or other toxic drainage within or out of the water treatment area.
- 4.3 The water treatment area has been void of activity for approximately 10 years. Quarterly inspections of the lagoons and buildings are made to assure the buildings, equipment, and lagoon berms are maintained for future operation. All lagoons remain dry except for lagoon #2 which receives run-off from the plant site area. The NMED will very likely agree that RGR will be in compliance during the standby period by following the current maintenance program. This area will be included in the letter to NMED when requesting standby approval.
- 4.4 The eight lagoons in the water treatment area have shown only very minor berm deterioration since shut down in June 1990. Due to the very dry environment, water erosion has not caused damage to these facilities. The security fence around the area has discouraged wildlife or domestic animals (except cattle actually brought in for grass and weed control for part of the year - usually four) from entering and causing accelerated water erosion. Annual precipitation averages between eight to ten inches per year.
- 4.5 RGR refers you to the Plant Site Unit in paragraph 1.5.
- 4.6 The water treatment area is a necessary facility whether it is used for mining or WSP. This area will be part of the WSP within possibly a four-year period. It is anticipated that the water treatment area will treat 2000 to 4000 acre feet of water annually. The City of Gallup and others badly need a reliable supply of potable water. The WSP is projected to provide RGR positive returns.

5.0 ORE STOCKPILE - 6.8 ACRES

- 5.1 The low-grade ore stockpile will be on standby until the mine resumes operation. The standby period is expected to be five years, unless uranium markets improve sooner.
- 5.2 The low-grade stockpile has been covered with uncontaminated dirt and rock since 1992.

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This cover shows only minor erosional features, mainly because the cover has developed considerable natural vegetation over the six and one-half years. The vegetation cover is expected to improve each year during the standby period.

- 5.3 Drainage from the low-grade stockpile area is collected in a collection basin specifically construction to avoid contaminated run-off from the low-grade stockpile and surrounding acreage. The NMED will likely agree that this area will not produce air or water contaminated discharge during the standby period.
- 5.4 The one impoundment in the low-grade stockpile area is inspected each quarter to ensure berms and drainage remain in good condition. The impoundment berms are heavily vegetated and mostly free from cattle and wildlife damage. This facility will be maintained during the standby period in a manner approved by NMED.
- 5.5 RGR refers you to the Plant Site Unit in paragraph 1.5.
- 5.6 RGR refers you to the Plant Site Unit in paragraph 1.6.

6.0 STORM WATER RETENTION POND - WASTE PILE (2.1 ACRES)

- 6.1 This impoundment will be on standby for a minimum of five years.
- 6.2 There is no acidic or other toxic drainage from this unit. The storm water run-off from the old waste pile is directed into this basin where the water evaporates leaving suspended solids on the floor.
- 6.3 The waste pile run-off impoundment was constructed in 1989 to receive water and silt from any erosion that might occur on the slopes of the waste pile. At present, the basin is in very good condition and continues to collect run-off from the infrequent heavy rains. The waste pile is inspected on a quarterly basis. NMED will most likely approve this facility for a five-year standby period, or more, if necessary.
- 6.4 This collection impoundment has been in use for approximately nine years. There have been no serious erosion problems or any danger that this impoundment would be filled to capacity so as to threaten breach of any one of the containment berms. Vegetation cover on the berms and floor of the basin has allowed only minor erosion features. This facility is inspected quarterly for damage and, if necessary, repairs are scheduled.
- 6.5 RGR refers you to the Plant Site Unit in paragraph 1.5.
- 6.6 RGR refers you to the Plant Site Unit in paragraph 1.6.

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7.0 STORM WATER RETENTION POND - LOW-GRADE ORE PILE (1.6 ACRES)

- 7.1 This unit will be on standby for at least five years.
- 7.2 There is no acidic or other toxic drainage from the impoundment. This pond was constructed in 1979 and is in very good condition because of low water levels and good vegetation cover on the outer berm surfaces. Very little erosion is evident on either side of the berms. The floor of the basin is covered with one to two feet of shale to prevent percolation of water and contaminants.
- 7.3 This facility has been collecting surface water from the ore pad for approximately 19 years with no evidence of ground water contamination. This history should be sufficiently favorable to allow NMED to give approval for extended standby operation.
- 7.4 This impoundment is stabilized with a clay and silt floor to prevent ground water contamination and has vegetation cover on the berms to control erosion. Security fencing also limits the damage done by domestic and wild animals.
- 7.5 RGR refers you to the Plant Site Unit in paragraph 1.5.
- 7.6 RGR refers you to the Plant Site Unit in paragraph 1.6.

8.0 REVISION FEES FOR STANDBY STATUS

- 8.1 RGR is requesting that the permit revision fee for Standby Status be waived due to the circumstances and content of the Mining Rules. RGR was unable to initially apply for Standby Status in either the Mining Permit Application or the Closeout Plan even though the mine has been operationally inactive since February 1990, which was long before the contemplation and passage of the Mining Act ("Act") and the promulgation of the Mining Act Rules ("Rules"). Further, while recognizing the operational status of the mine since 1990, the Agency believed that under the Act and Rules, RGR could not file its application initially for standby status - the conclusion being that standby status could not be granted unless any mine was first approved as an existing mine with an approved closeout plan and with financial assurance in place (e.g., Rule 701.G). Thus RGR should not be penalized or required to pay an additional fee for submitting this revision. This reasoning appears to be the intent of the Rules.

9.0 AGREEMENTS WITH NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES, MINING AND MINERALS DIVISION

- 9.1 RGR agrees to meet applicable Federal and State environmental standards and regulations during the period of standby status consistent with subsections 1.0, 2.0, 3.0, 4.0, 5.0, 6.0 and

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7.0 of this application.

- 9.2 RGR agrees to stabilize waste and storage units and impoundments during the standby period consistent with subsections 1.0, 2.0, 3.0, 4.0, 5.0, 6.0, and 7.0 of this application.
- 9.3 RGR agrees to comply with the applicable requirements of the Act, this Part and the Mining Permit during the term of standby status.

10.0 NOTICES PURSUANT TO SUBPART 9

- 10.1 These notices have been distributed according to NM Mining Act Rules, subsection 903, in parts 903.A through 903H. and are shown in the Appendix. Proof of publication is also included in the Appendix.

APPENDIX

PUBLIC NOTICE

Rio Grande Resources Corporation (RGR) has submitted a Standby Status Application as a revision to its existing Mine Permit #C1002RE, for its Mt. Taylor Mine in accordance with the provisions of the New Mexico Mining Act, sections 60-1 through 69-36.20, NMSA 1978, as amended, and the New Mexico Mining Act Rules of July 12, 1994.

The Mt. Taylor Mine is located in Section 24, T13N, R8W, NMPM in Cibola County, near the village of San Mateo. The mine extracts uranium ore from depths of over 3000 feet below ground surface using room-and-pillar and stope mining methods. There are no milling facilities within the proposed Standby area. Uranium ore was first produced from the Mt. Taylor Mine in 1979 until September 30, 1982 and again from October 1985 until January 1990. The Mine has been inactive since January 1990 until the present. Standby Status is a technical change only and does not indicate a change in the intended mining activity at the mine.

The proposed Standby Status Application includes the plant site and mine support surface facilities consisting of Seven(7) mining units which are: (1) Plant Site - 93 Acres, (2) Old Waste Pile - 15.2 Acres, (3) New Waste Pile 21.7 - Acres, (4) Water Treatment Area - 28 Acres, (5) Low Grade Stockpile Area - 6.8 Acres, (6) Storm Water Retention Pond - Waste Pile - 2.1 Acres, and (7) Storm water Retention Pond - Low Grade Stockpile - 1.6 Acres. The Rules require Standby Status to be approved by the New Mexico Energy, Minerals and Natural Resources Department and requires this Standby Status Application to be processed

The Applicant's Address: Mt. Taylor Mine
 Rio Grande Resources Corporation
 P. O. Box 1150
 Grants, New Mexico 87020

A copy of the Standby Status Application is available for public inspection at the Public Library in Grants, New Mexico and also at the office of Mining and Minerals Division at the address below. Written comments may be submitted to:

Director, Mining and Minerals Division
Energy, Minerals and Natural Resources Department
2040 South Pacheco
Santa Fe, New Mexico 87505

Procedure Requesting a Hearing

Any interested person may request that the Director conduct a public hearing on the Permit Revision. Such request must be made to the Director (see address above) within 30 days of the date of the newspaper publication of the notice of the Standby Status Application unless the Director determines a longer period in which to make the request is appropriate and such period is specified in the published notice. If a hearing is timely requested, the Director shall set a hearing unless the request is clearly frivolous. The Director may hold a public hearing absent of any request.

Procedure for Submitting Comments

All interested persons may submit written comments regarding the Standby Status Application to the Director. Written comments must be received by the Director prior to the close of the hearing record following any public hearing that is held. If no public hearing is held, written comments will be considered only if they are received by the Director within 60 days after the newspaper publication of the notice of the Permit Revision or within 60 days after the person filling the comment received notice of the Revision, whichever is later.

AVISO PUBLICO

Como es requerido en el Acto de Minería de Nuevo Mexico, Sección 60-1 a 69-36-20 NMSA 1978 y las Reglas de el Acto de Minería , la Compania, Corporacion de Rio Grande Recursos (Rio Grande Resources Corporation) desea avisar al publico que ha presentado una solicitud para obtener un Permiso para interumpir las actividades por un tiempo. Es un revision de su Permiso Minería #C1002RE Mt. Taylor, que exista.

La mina Mt. Taylor esta situada en seccion 24, T13N, R8W NMPM de el Condado Cibola, circa de el Pueblo de San Mateo. Se extraen Uranium de 3,000 pies de profundidad. Este solicitud no incluyen edificios de molino. La mina Mt. Taylor había activo en 1979 hasta el 30 de Septiembre 1982, y tambien en Octubre de 1985 hasta Enero de 1990. La mina no había activo desde 1990. La solicitud para obtener permiso para interumpir actividades encluyen siete unidades de la fabrica:

- 1) area de fabrica, 93 acres
- 2) el monton de tierra desperdicio, 21.7 acres
- 3) lel monton de tierra desperdicio viejo, 15.2 acres
- 4) area de aqua tratamiento 28 acres
- 5) monton de tierra con minerales 6.8 acres
- 6) laguna de materias desperdicio 2.1 acres
- 7) laguna de materias util 1.6 acres

Las Reglas requerido que El Departamento de Energia, Minerales, y Recursos Naturales, determinar aprobacion de la solicitud. La Direccion de la mina Mt. Taylor es:

Mt. Taylor Mine
Rio Grande Resources Corporation
P.O. Box 1150
Grants, New Mexico 87020

Copias de la solicitud para obtener un permiso para interumpir actividades por un tiempo esta disponible para inspeccion al publico en la biblioteca publico de Grants, Nuevo Mexico. Qualquier persona interesada puede hacer comentarios por escrito al Director de la Division de Minería y Minerales.

Procedimientos para peticion una Audencia Publica

Qualquier persona interesada puede solicitar un audencia publica sobre la solicitud ya mencionada por escrito al Director de la Division de Minería y Minerales. Tal peticion debe ser presentado dentro de 30 dias de la fecha de publicacion de este aviso de solicitud. Si una audencia publica ha presentado en tiempo oportuno, la Division de Minería y Minerales tendra una audencia publica a menos que la peticion sea claramente frivola.

Procedimientos para someta comentarios

Qualquier persona interesada puede someta comentarios escritos con referencia a la solicitud para obtener permiso para interrumpir actividades por un tiempo . Debe ser presentada comentarios escritos antes que concluido la registro de la audencia publico. Si no hay una audencia publico, comentarios escritos debe ser presentado al Director dentro de 60 dias despues de la fecha de publicacion de este aviso publico en este diario o dentro de 60 dias despues que se recibio el aviso de revision, qualquiera esta la mas tarde.

LEGAL NOTICE**PUBLIC NOTICE**

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Procedure Requesting a Hearing

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AVISO PUBLICO

Como es requerido en el Acto de Minería de Nuevo Mexico, Sección 60-1 a 69-36-20 NMSA 1978 y las Reglas de el Acto de Minería, la Compania, Corporacion de Rio Grande Recursos (Rio Grande Resources Corpora-tion) desea avisar al publico que ha presentado una solicitud para obtener un Permiso para interrumpir las actividades por un tiempo. Es un revision de su Permiso Minería #C1002RE Mt. Taylor, que exista.

La mina Mt. Taylor esta situada en seccion 24, T13N, R8W NMPM de el Condado Cibola, circa de el Pueblo de San Mateo. Se extraen Uranium de 3,000 pies de profundidad. Este solicitud no incluyen edificios de molino. La mina Mt. Taylor habia activo en 1979 hasta el 30 de Septiembre 1982, y tambien en Octubre de 1985 hasta Enero de 1990. La mina no habia activo desde 1990. La solicitud para obtener permiso para interrumpir actividades incluyen siete unidades de la fabrica:

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Published in the Cibola County Beacon March 19, 1999. Invoice #1361.

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Rio Grande Resources Corporation
P.O. Box 1150
Grants, New Mexico 87020

Copias de la solicitud para obtener un permiso para interrumpir actividades por un tiempo esta disponible para inspeccion al publico en las biblioteca publico de Grants, Nuevo Mexico. Qualquier persona interesada puede hacer comentarios por escrito al Director de las Division de Minería y Minerales.

Procedimientos para peticion una Audencia Publica

Qualquier persona interesada puede solicitar un audencia publica sobre la solicitud ya mencionada por escrito al Director de la Division de Minería y Minerales. Tal peticion debe ser presentado dentro de 30 dias de las fecha de publicacion de este aviso de solicitud. Si una audencia publica ha presentado en tiempo oportuno, la Division de Minería y Minerales tendra una audencia publica a menos que la peticion sea claramente frivola.

Procedimietos para someta comentarios
Qualquier persona interesada puede someta comentarios escritos con referencia a la solicitud para obtener permiso para interrumpir actividades por un tiempo. Debe ser presentada comentarios escritos antes que concludo la registro de la audencia publico. Si no hay una audencia publico, comentarios escritos debe ser presentado al Director dentro de 60 dias despues de las fecha de publicacion de este aviso publico en este diario o dentro de 60 dias despues que se recibio el aviso de revision, qualquiera esta las mas tarde.

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